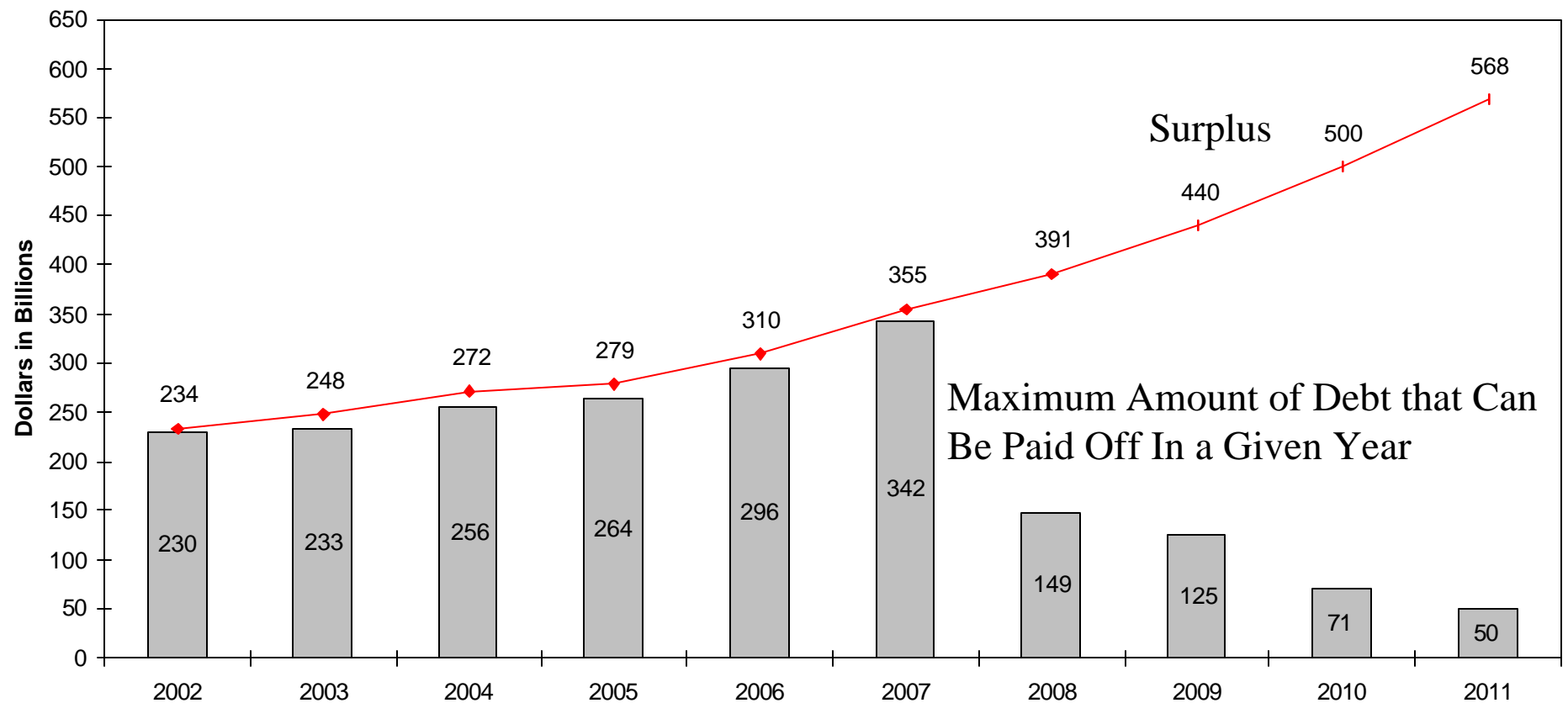


Surpluses Available for Debt Reduction *After* the President's Tax Cut & Spending Increases Compared to Maximum Debt Reduction



Source: Office of Management and Budget

What is Non-Retireable Debt?

Some Examples of Non-Retireable Debt:

- Non-matured 30 Year Bonds
- Savings Bonds
- State and Local Government Bonds

In order for the government to buy back this debt, the government would actually have to pay more for it now than if we simply let it mature.

What Do We Do With the Extra Surplus?

Even after enacting President Bush's proposed tax cut and spending increases, the government will have additional funds beyond what can be used to pay off publicly held debt.

These funds can only be used in three ways:

- 1) Even more government spending
- 2) Purchasing private assets, such as stocks
- 3) Providing additional tax relief

Alan Greenspan on the Debt

“I still hold the number one priority is reducing the debt. The problem is we’re going to get that out of the way far sooner than any of us imagined.”

“I never expected to see the day where I would be talking about anything other than reducing the debt... but the trade-off faced earlier appears no longer an issue.”

“Large deficits are bad. Large surpluses are bad.”

“Should current economic weakness spread beyond what now appears likely, having a tax cut in place may, in fact, do noticeable good.”

-- Testimony before the Senate Budget Committee, Jan. 25, 2001

Explanation

The first chart shows the unified surplus (surpluses that can be used for debt reduction) that exist AFTER we enact the President's tax cut (\$1.6 trillion) and after we enact the President's spending increases (\$1.4 trillion vs. a freeze).